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**MEDICARE PAYMENT ADVISORY COMMISSION
RELEASES REPORT ON MEDICARE PAYMENT POLICY**

Washington, DC, March 3, 2003 — Today, the Medicare Payment Advisory Commission (MedPAC) releases its March 2003 *Report to the Congress: Medicare payment policy*. MedPAC recommends updates and policy improvements for seven Medicare prospective payment systems (PPSs). After examining indicators such as providers' financial performance under Medicare, changes in the volume of services, the quality of and access to care, providers' access to capital, and market entry or exit, the Commission finds that in general, Medicare payments are adequate to cover the costs of efficient providers. Therefore it recommends the following updates for 2004:

- for the hospital inpatient prospective payment system, an update equal to a marketbasket index (representing input price changes) less 0.4 percent representing the net of an increase for technological change, and a decrease for expected productivity gains,
- for the hospital outpatient, physician, and outpatient dialysis payment systems, updates equal to marketbasket less an allowance of 0.9 percent for expected productivity gains, and
- for the skilled nursing, home health, and ambulatory surgical center payment systems, zero updates. For many skilled nursing and home health providers current payments exceed costs by a large enough margin to offset expected cost growth in 2004. For ambulatory surgical centers the growth in service volume and number of providers suggests payment is more than adequate.

These update recommendations are coupled with others that improve the distribution of payments in a sector to better follow the costs of patient care, or that improve consistency in Medicare purchasing. The update and other recommendations for each sector should be considered as a package because they are interrelated and in some cases protect potentially vulnerable providers and thus access to care for beneficiaries.

The report also discusses the context for MedPAC's payment policy recommendations including how the growth of Medicare expenditures compares to that of the economy, the federal budget and the amount paid by other payers. It also addresses how to assess access to care for Medicare beneficiaries, payment for new technology, and what choices of health insurance are available to Medicare beneficiaries.

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The Medicare Payment Advisory Commission is an independent Congressional advisory body charged with providing policy advice and technical assistance concerning the Medicare program and other aspects of the health care system. MedPAC conducts research, analyzes legislation, and makes recommendations to the Congress on payment policy, program design, and implementation issues. The Commission holds periodic public meetings in the capital area. Its 17 commissioners have diverse points of view and include health care providers; payers; consumers; employers; and individuals with expertise in biomedical, health services, and health economics research. MedPAC maintains a full-time staff in Washington, DC.